

Prospects for Free-to-Air HDTV in Europe

HDTV-across-Europe Conference

International HDTV summit

Berlin

Dermot Nolan

TBS

14 October 2008 / Dermot Nolan / TBS

Disclaimer

- Based on public domain information
- Based on likely international comparisons
- Comparisons indicative due to many variations

Agenda

- Introduction
- Why Free HDTV is important
- First generation HDTV showed the way
- Subscription HDTV leverages high ARPU customers
- FTA HDTV distribution routes
- Rights, regulatory and revenue issues
- Satellite FTA/FTV HDTV
- Terrestrial HDTV
- Market fragmentation
- Summary

Introduction

- HDTV NOT new: over 20 years old
- Initial driver: NTSC picture quality + competition
- What is new: economies of scale and scope
- High resolution displays commoditised
- Acquisition, display and transmission standards
- Blu Ray HD format triumphant earlier this year

Why FTA HDTV is important

- Free is a very successful business model
- Historical examples: ATV, utility CATV, FM radio
- Free DTT resoundingly successful: F, UK, I, etc
- Free/FTV DST gaining ground: D, I, F and UK
- Aside: MDTV going free (D, Japan, Korea)
- HDTV competitive ground war for pay platforms
- Public Service TV needs HDTV to justify fees
- Commercial TV needs HDTV to look good!

First generation HDTV showed the way

- Courtesy HDTV global standards wars..
- Aligned with digital switchover plans
- All use MPEG2 , common display standards
- ATSC HDTV in US, Korea and ??: niche
- DVB-TI Australia: recent success
- ISDB-T successful in Japan, failing in Brazil..

Subscription HDTV leverages high ARPU

- All based on DTV 3.0 solutions (MPEG4, S2, etc)
- Competition between cable, IPTV and satellite
- Retention of high ARPU customers
- Classic HDTV genres: documentary, film, sports
- Efficient examples: DirecTV, BSkyB, Verizon FIOS
- Hybrid IPTV leveraging HDTV to compete
- Raises competitive bar for FTA broadcasters

Free-to-air HDTV distribution routes

- Subscription free platforms
- And, potentially, fibre 'must-carry' later...
- Short-term: satellite & terrestrial or BOTH
- Satellite v attractive but capacity crunch..
- Terrestrial depends on spectrum + switchover plans
- To encrypt (FTV) or not (FTA)?
- UK: Freesat is FTA HDTV
- F: TNTSat is FTV HDTV (2009)
- D: Satellite seems natural for FTA HDTV

Rights, regulatory + revenue issues

- HDTV rights viewed differently by Hollywood
- Simulcasts of SDTV movie channels don't cost more
- Copy protection required for FTA/FTV platforms
- PSBs well positioned (BBC, NOS, ORF etc)
- Regulatory issues include formats, HDTV origination, ownership, spectrum, coverage obligations
- Revenue a 'no-brainer' for subscription HDTV platforms
- Revenue = ZERO for FTA HDTV broadcasters
- But HDTV broadcasting to stay competitive
- Current economic problems may lead to HDTV delays

Satellite FTA/FTV HDTV

- Deploying now in France and UK
- UK Freesat: 200 SDTV services, 2HDTV channels, c 100k customers (not all HDTV..)
- TNTSat HD : 7 FTV HDTV channels Q1 2009
- 3-4 HDTV services per transponder
- Single EU wide standard (MPEG4 DVB-S2)
- Potential route to mass-market German HDTV?

Terrestrial HDTV

- European divisions: DVB-T1 vs. DVB-T2
- T1 HDTV: France, Ireland, Norway, Sweden
- T2 HDTV: UK, ?
- MPEG4 T1 commercially available
- MPEG4 T2 late 2009/2010
- Spectrum: Availability, auctions vs. allocation schemes
- Credit crunch: commercial broadcasters in trouble AND spectrum auctions delayed...
- PSBs (ARD, BBC, NOS, ORF, ZDF) better positioned for short-term HDTV
- Aside: Market for pay MDTV shrinking across EU...

Market fragmentation

- 720P or 1080i or 1080P acquisition format debate..
- Concerns remain about performance of MPEG4 but..
- MPEG4 DVB-T1 embedded in FPDs across Europe
- MPEG4 DVB-T2 still a test system
- And T2 'will be expensive' (DVB @ IBC 2008)
- Introduces diseconomies of scale and scope across EU
- 8Mb/s terrestrial HDTV vs. 15-18 Mb/s satellite HDTV
- Mandating standards no success guarantee (cf DVB-H)
- Different delivery platforms in each EU country

Summary

- Subscription HDTV driving FTA broadcaster responses
- Satellite FTA/FTV HDTV attractive standardised platform
- Terrestrial HDTV fragmentation seems inevitable..
- Diseconomies of scale and scope and implementation risk
- Commercial FTA broadcasters may retreat from HDTV
- Auctions may be deferred or abandoned
- PSBs have greatest commitment to FTA HDTV
- Will 720P 8Mb/s HDTV be acceptable to the consumer?
- Medium term impacts from global markets crisis

Contacting TBS

- fixed: +44 (0)2072865570
- email: dermot@nolan0705.freemove.co.uk